

## Report of Independent Accountants

To the Management of SBC Communications Inc.

We have examined management's assertion that SBC Communications Inc.'s (the "Company's") controls over its system for provisioning and maintaining collocation services ("Collocation Process") were effective during the period October 8, 1999 through June 8, 2000, in providing reasonable assurance that the Company is in compliance with the Federal Communications Commission's ("FCC's") collocation requirements as defined in the FCC's First Report and Order and Further Notice of Proposed Rulemaking ("Collocation and Advanced Services Order"), FCC 99-48, released March 31, 1999, and captioned *In the Matters of Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147 and Title 47 Parts 51.319(a)(2)(iv), 51.321, and 51.323 of the Code of Federal Regulations ("FCC's Collocation Rules") and the collocation transition mechanisms contained in subparagraphs I(3)(c)(3), I(3)(d), I(3)(e), I(4), I(4)(a)(3), I(4)(n)(4), I(6), and I(6)(g), in Appendix C ("the Merger Conditions") of the FCC's Order approving the SBC/Ameritech Merger.<sup>1</sup> This assertion is included in the accompanying report by management titled, "Report of Management on the Effectiveness of Controls over Compliance with the FCC's Collocation Rules." Management is responsible for its controls over its Collocation Process. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the controls over the Company's Collocation Process, testing and evaluating the design and operating effectiveness of those controls, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the controls over the Collocation Process to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the controls may deteriorate.

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<sup>1</sup> *Applications of Ameritech Corp. and SBC Communications Inc. for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Section 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95, and 101 of the Commission's Rules*, CC Docket No. 98-141, Memorandum Opinion and Order, 14 FCC Rcd 4761 (1999).

In our opinion, management's assertion that it believes that the Company's controls over the Collocation Process are effective in providing reasonable assurance that the Company complied with the criteria promulgated in the FCC's Collocation Rules for the period October 8, 1999 through June 8, 2000 is fairly stated, in all material respects.

As discussed in management's assertion, the Company's controls over the Collocation Process were designed to comply with the Merger Conditions which address collocation in the context of a six-month transition period in which advanced services were being transitioned from the Company's incumbent local exchange carriers to the Company's advanced services affiliate. We have reviewed the Company's letter dated February 15, 2000 (letter from Mr. Michael Kellogg on behalf of the Company to Ms. Carol Matthey of the FCC). This letter clarifies the Company's position related to the transition mechanisms set forth in Paragraph 4 of Section I of the Merger Conditions, in that collocation applications for one of the Company's advanced services affiliates were not required to be filed in the first 180 days following the merger close date (October 8, 1999). Based on this understanding, the Company's controls over the Collocation Process were effective in providing reasonable assurance that the Company complied with the criteria promulgated in the FCC's Collocation Rules.

Additionally, the Company's controls over the Collocation Process have been designed to comply with the FCC's Collocation Rules, as understood by the Company. It is the Company's understanding that, under Title 47 Parts 51.321(d) and (e) and 51.323(b) of the Code of Federal Regulations, the Company satisfies its evidentiary obligations by proving to the relevant state commissions that denials of collocation requests were appropriate only when a requesting telecommunications carrier disputes before that state commission the Company's determination that the collocation request was not technically feasible or the equipment being collocated was not used by the telecommunications carrier for the purpose of obtaining interconnection or access to unbundled network elements. Further, it is the Company's understanding that, under Title 47 Part 51.321(h), the Company's policy of posting a notice of exhaustion after the Company becomes aware in the course of business that collocation space is exhausted complies with the FCC's Collocation Rules. Based on this understanding, the Company's controls over the Collocation Process were effective in providing reasonable assurance that the Company complied with the criteria promulgated in the FCC's Collocation Rules.

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This report is intended solely for the information and use of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Ernst & Young LLP*

August 7, 2000